

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 ABF-01 /063 W

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R 111633Z AUG 76

FM AMEMBASSY PARIS

TO DEPARTMENT OF TREASURY

INFO SECSTATE WASHDC 3880

AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

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PASS FEDERAL RESERVE AND COMMERCE

E. O. 11652: N/A

TAGS: EFIN

SUBJECT: PARIS FOREX MARKET

1. FRANC DEPRECIATED TRADING AT 4.99 TO DOLLAR;
1.967 TO D/MARK; AND 2.0015 TO SWISS FRANC AS OF
CLOSING OF SECOND SESSION OF BOURSE TODAY. VOLUME
REMAINS LIGHT. NO OFFICIAL INTERVENTION. DAY-TO-
DAY RATE IN MONEY MARKET REMAINS 9 AND 5/16.

2. THE PARIS FOREX MARKET CONTINUES TO PROBE THE
5 TO 1 FRANC/DOLLAR RATE BUT WITHOUT MUCH CONVICTION.
IF THE FRENCH PRESS WITH ITS STORIES OF NEAR CRISIS
AND THE TEST OF THE FRANC TOMORROW DOESN'T UNDERSTAND
WHAT'S GOING ON AND THE SIGNIFICANCE OF THE BANK OF
FRANCE'S CONTINUED PASSIVITY, THE FOREX TRADERS
CERTAINLY HAVE GOT THE MESSAGE. MANY MAY BELIEVE
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THAT THE FRANC WILL BE 5 TO THE DOLLAR OR AS SOME

INDICATE IN A 5 TO 5.10 RANGE BY OCTOBER; BUT THEY ALSO KNOW THAT THE FRANC WILL FLUCTUATE ALONG THE WAY AS IT ALREADY HAS DONE TWICE WITHIN THE PAST TWO WEEKS.

3. MOST FOREX TRADERS IN PARIS NOW ARE THINKING IN TERMS OF FAIRLY WIDE FLUCTUATIONS BETWEEN 4.90 AND 5 OR MAYBE A LITTLE HIGHER, FROM WEEK TO WEEK, IF NOT DAY TO DAY. SUCH POSSIBILITIES BREED A CERTAIN CAUTION. THIS PLUS A SEASONALLY VERY THIN MARKET, THE ABSENCE OF LARGE FORWARD COVER OPERATIONS, AND THE POSSIBILITY OF ANOTHER HIKE IN SHORT TERM MONEY MARKET RATES SEEM TO HAVE CREATED A KIND OF PSYCHOLOGICAL BARRIER. THE FOREX MARKET CLIMBS UP TO ALMOST 5 TO 1, THEN STEPS BACK AGAIN. IT MAY REACH OR EXCEED IT TOMORROW BUT THIS COULD BY ITSELF TRIGGER AN APPRECIATION BASED ON PROFIT TAKING. THE PARIS FOREX MARKET SEEMS LIKELY TO REMAIN IN THIS KIND OF MOOD FOR SOME TIME TO COME.
GAMMON

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Message Attributes

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Margaret P. Grafeld
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